

Conference Call Transcript

Event: Transcript of Bharti Airtel Limited Fourth Quarter Ended March 31st, 2020 Earnings Conference Call

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Transcript of Bharti Airtel Limited Fourth Quarter Ended March 31, 2020 Earnings Conference Call**CORPORATE PARTICIPANTS****Gopal Vittal**

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PRESENTATION**Komal Sharan - Moderator**

Good afternoon. Thank you for joining us on this webinar to discuss Bharti Airtel's Fourth Quarter and FY2020 results. Present with me on this webinar today are Gopal, Badal, Harjeet, Nakul and Arpan. We will start this webinar with a brief update from Gopal on the business and quarter performance, followed by a Q&A session. The instructions for asking a question for the participants have been sent across through the email in a sense to raise your hands option on your Zoom device. With this, I would like to hand over to Gopal for the opening remarks. Thank you.

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

Good afternoon, ladies and gentlemen. Thank you for joining us today for this webinar to discuss our results for the 4th quarter and full year ended 31st March 2020, which we announced yesterday. Present with me on this zoom webinar today are Badal, Harjeet, Nakul and Komal.

In the next few minutes I want to talk about three things:

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First, our strategy and performance. Second, the extraordinary impact of COVID-19 and our response. Finally the scale of our Digital platform.

Let me start with our strategy and performance:

We have a simple strategy which we call our GPS - Focus on winning with quality customers, Identify the micro markets in which these customers are and Win their hearts through an exceptional experience and an aspirational brand. As a consequence drive down churn, raise ARPU and grow revenue market share. Keep doing this while continuously driving out waste in our business. We believe this strategy is now paying off and this has reflected in another strong performance this quarter.

At an India level, we delivered revenues of Rs 17,438 crores – this meant strong underlying sequential growth of around 12%. Growth was broad based across the entire portfolio. Our home broadband business grew at 3.2% sequentially and we saw strong net additions of 63 thousand. Our B2B business grew by 12% year on year. This is a business that has delivered exceptionally over the last 3 years providing some cushion to the challenges faced in Mobile. Over the years we have built very resilient relationships with our Enterprise customers and have built a reputation for ensuring that their data remains secure and safe. The DTH business added over 300 thousand customers, and grew sequentially by 1.3% on an underlying basis. The reported numbers are not comparable since we have made some accounting changes arising out of the New Tariff Order.

The star segment of the quarter, however, was Mobile. Revenue grew by 16% Q-o-Q – which is the strongest growth recorded in over a decade. This performance, we believe, reflects the strong execution of our strategy of winning with Quality customers. In fact, the full impact of the tariff hike of December 2019 came through in its entirety with no down trading. This again reflects the resilient and quality customer base we have. Even more heartening, 4G customer additions saw continued momentum at 12.5 million. This number would have been even better if not for the sudden jolt of COVID-19 that we were dealt with.

The quarter also saw strong postpaid net additions, a testimony to the high quality experience we deliver to our customers. As a result of all this, our ARPU increased by Rs 19 in the quarter to hit Rs 154. Most importantly we ended the year with strong revenue market share growth.

We believe that an ARPU of Rs 154 is inadequate to turn a reasonable Return on Capital as a company and remain hopeful that ARPUs will get to Rs 200 in the short term and eventually to Rs 300, which is where it should be for a business like ours. Of course even at this level of ARPU we believe we will be very well placed to serve all the lower end customers who may have the capacity to pay Rs 100 or less.

This performance for the quarter was made possible due to our obsession with delivering an exceptional experience to our customers. This was enabled through three factors – First expansion of access – we added more than 4,500 sites during the quarter and close to 30,000 mobile broadband base stations. Second, leverage of technology to improve experience. We deployed a range of technologies to improve experience – Densification of our networks, Massive MIMOs, shut down of 3G networks in many more circles so as to re-farm this spectrum to 4G and the launch of Voice over WiFi which has dramatically improved indoor experience for over 5 million users. Thirdly, and perhaps most importantly, substantial capacities being added to the core and transport infrastructure. This is normally a lumpy investment and we believe that front loading of this investment has been prescient as we were able to deliver an exceptional experience during COVID-19 despite seeing a massive surge in consumption. This is why the capex was much higher in the quarter and should moderate in the coming quarter.

Our focus on experience has paid off consistently. We are grateful that Airtel has again been recognized by independent third party global companies for delivering the best experience on download speed, latency, video experience and many others. Despite all this, we know we are not perfect. Many of our customers do face challenges and we are obsessed about eliminating faults when they occur.

The consequence of our performance has led to improvement in EBITDA margins – we delivered an incremental margin of around 60% on the revenues we added in Mobile Services segment. Margins for our mobile segment expanded from 35.9% to 39.2%.

Additionally, we have had taken several measure to optimize our debt through various fund raising exercises over the last one year. This along with strong execution has led to an improvement in Net Debt to EBITDA which stands at 2.88 times vs 4.15 in the same period previous year.

Let me now turn to the exceptional circumstances arising out of COVID-19. Clearly, this pandemic has been unprecedented in the fear it has generated as well as the millions whose livelihoods have been destroyed. This is the time when we have had to do our bit to keep the nation connected.

I am proud of our teams who have gone beyond the call of duty – connecting thousands of homes and businesses, working from remote locations to keep the network humming and risking themselves to keep our customers from staying connected to their loved ones.

It is now abundantly clear that telecom is truly an essential service and has been the backbone of the economy at this time. We are therefore hopeful that the government will implement the proposals of the TRAI and the intent of the New Telecom Policy to lower the burden of taxes and levies as soon as possible.

As a business we have looked at COVID-19 through three simultaneous prisms – Business Continuity, Recovery and Retooling.

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First, business continuity. We were ready even before the lockdown was announced. Safety of our people was the top priority and we introduced a range of measures including sanitation essentials, division of teams into two groups so as to reduce load in our essential facilities. Everyone except our essential staff was mandated to work from home with effect from March 19th. Our essential staff were out on the field installing home broadband, expanding capacities for our B2B customers and keeping our mobile networks going. Our entire Network operating Centre at Manesar with 1500 people, today has just 15 people on site while everyone else manages all alarms for a complex network like ours from home. We activated a range of alternate channels for recharge including Bank ATM's, chemists, Pharmacy stores and Grocers. We provided free services to over 80 million customers who were economically devastated. Most importantly, we drove digital adoption with a manic passion. Our teams introduced several innovations all within a matter of days – from online acquisition to simplifying payments journeys to the launch of Work from Home solutions to educating customers to recharge online, to having others do it for them – all these features were launched. Today over 60 percent of our entire business goes through Digital channels. On the network, while traffic surged by 20%, we have been able to deal with it in a comfortable way and still deliver a solid experience.

While all this was going on, we had a separate team work through our full plan for Recovery in a graded way. Today, we are ready with a granular plan across every district of India. As and when a district turns green and the lock down is relaxed our tool kits for recovery are ready.

Finally Retooling. Crisis is always a Danger as well as an Opportunity. We have been taught several humbling lessons from this crisis. There are many parts of our business where we believe we have substantial waste. And it is this crisis that has exposed it. We have discussed this at length and we believe we need to put renewed vigour behind our War on Waste plan.

Let me now turn to the last and final part of my opening address – the scale of our Digital platform.

Over the last 3 years, we have built a very strong Digital team of almost 1200 people. This team is focused on solving real problems that we confront in the business – How do you acquire more quality customers – How do you retain them and create greater lifetime value and How can you strip out waste from the business.

I believe we have now scaled our capabilities substantially. We have over 150 million Monthly Active Users across our Digital assets – Airtel Thanks, Wynk or XStream. We have over 1.1 million retailers transacting and making payments every day on our Mitra App. Our digital teams have been able to lower calls into our call centre by 60 percent through automated fault detection and repair coupled by intuitive customer journeys on the App and IVR.

With our platform, we have also been a partner of choice for several companies. In the B2C area, we partner across content, financial services, and devices. We leverage our platform to drive growth for Zee, Star, Eros, Hoichoi, Amazon, Netflix, HDFC, Axa, Apollo and a wide number of startups.

In the B2B area we have leveraged our platform to drive new streams of revenue. We have built an exciting Data Centre business that serves several large Indian and Global technology companies as the need for data explodes. We have also built strong partnerships in the Work from Home area, in cyber security services, in delivering managed networks, in IoT and in delivering cloud services. Our roster of partners includes large brands such as Cisco, Zoom, Symantec, Palo Alto Networks, Google, Microsoft and Amazon in addition to many innovative startups.

It is this digital capability that allowed us to be ready when COVID-19 struck and pivot our business to drive dramatic growth in our Digital channels.

Over these years, we have realized that at its core, Airtel is a platform with four mission critical strengths.

The first is Data – our customers trust us with an incredible amount of data that is consolidated in one powerful and intelligent platform.

The second strength is distribution. We have access to over 280 million mobile customers, over 18 million Homes, 2000 large corporates and over a million small businesses.

The third is Payments. We are one of the few businesses that has the ability to collect payments from customers be it digitally or in the form of cash. Our retail App (Mitra) and our consumer App (Thanks) coupled with our payments bank allows us to fulfil transactions and payments.

Finally our network and location based understanding which provides us incredible capability to deliver value to partners.

All of these strengths are now being used for our own business and for our partners at a pace that is accelerating every day and allowing us to become more and more agile. It is this strength that we now want to scale and leverage to build new revenue streams.

At the end, we believe that the future of our platform will be to have a foundation of a customer focused telco that then allows us to deliver a range of services in partnership with hundreds and thousands of companies to create value for the eco system. All of this we believe must be done with a passion for data privacy.

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To sum up, the industry has witnessed some repair but more needs to be done on tariffs that are still unsustainably low. Our strategy of focusing on quality customers seems to have been reflected in our results. Our portfolio in India has been resilient. Africa continues to report a strong set of results. And our obsession on customer experience as a corner stone will remain unchanged.

At a time when the country is grappling with COVID-19, we have kept the country connected. This has been due to the stellar work done by our teams. Equally we are ready for recovery at a granular level.

Finally, the substantial investments and capabilities we have built on Digital will now allow us to create value in the eco system through our powerful platform.

With this, we open up for Q&A.

Komal Sharan – Moderator

Thank you Sir. With this we open up the session for Q&A. The first question comes from Mr. Sachin Salgaonkar from Bank of America. Sachin you may please unmute your side and ask your question now.

Sachin Salgaonkar - Bank of America

Thanks Komal. A very good afternoon to everyone and congratulations for a good set of numbers. I have three questions. Number one is on how things are actually progressing in the current quarter. Now Clearly, Gopal, you did highlight in terms of what is happening, but can you throw some light in terms of how have been the net adds, capital deployment, churn and so on and so forth?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

Sachin, thank you for your question. I think this quarter has been obviously from the March 15, 2020 has been a mixed bag for the last 45 to 50 days. I think we have seen several factors play out. One, is that we have seen a rapid surge in the need for home broadband and I think that is the first thing that we have seen. The second thing that we have seen is a significant increase in the B2B side in terms of capacity that are required by many of the enterprises. We have seen growth of new services, collaborations services, video-conferencing, and things like that as people have worked from home. We have seen on the mobile side of 4G customer base has been more resilient than we would have otherwise thought. Equally, we have seen a collapse in new devices coming into India because the supply chains have broken down from China and yes we have seen a significant pressure at the lower end of the customer profile, which is the marginal customers or the disadvantaged customers who largely own feature phones and who had to struggle to actually recharge which is where we have been activating alternate channels some of whom have used these channels, but others have continued to remain challenged because of economic implications on their lives. So I would say it has been a mixed bag. It is a very, very rapidly evolving situation. Every day is actually getting back to a little bit more normalcy. So, while we do not give a guidance, I do know what I am saying gives you an overall perspective of what is happening but that is the way you see.

On capex, I think like I said Q4 was a significant surge in capex because of the advancement of the transport investment we made, coupled with investments in access. We see a moderation in this quarter primarily because we have not been able to deploy networks, additional sites in the month of April and in any case, we expect the overall capex for this year to be more moderated than it was for the last year.

Sachin Salgaonkar - Bank of America

My last question is actually on any clarity you guys could give in terms of how we should look at ARPU going forward and in terms of from point of view that while the tariff hike what we saw in December has largely been done, there is a gradual mixed shift which is already happening in terms of your 4G net adds are increasing, so is that something which will lead to a continued ARPU improvement even if we do not see any round of tariff hikes for the next let us say three to six months?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

Firstly, I think if you look at our trajectory over the last 9 to 12 months you would have seen some increase in ARPU even without any tariff increases and that is really coming out of the upgradation from 2G/3G to 4G. So that is one of the drivers of ARPU. The second driver of ARPU is acceleration in our postpaid business. We believe this is a business where the price premiums, between postpaid and prepaid have now narrowed to a more sensible level, and we expect the postpaid business to do better, of course COVID-19 has kind of impacted all parts of the business in the short-term because very few people are walking into our stores, but I would say that that is beginning to change on a daily basis. So, yes there is still ARPU to be had with upgradation but a large part of ARPU that came out of tariff hike in December I think we have seen through flow through a resilient customer quality that we have.

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Sachin Salgaonkar - Bank of America

Thank you Gopal.

Komal Sharan - Moderator

Thank you Sachin. Thank you Gopal. The next question comes from Manish Adukia from Goldman Sachs. Manish please ask your question now.

Manish Adukia - Goldman Sachs

Good afternoon. Thank you for taking my question. Hope you and your team are staying safe and healthy. A couple of questions please. First, if you can help us understand for the March quarter what role did the different moving parts play in terms of impact on ARPU? So specifically, I am referring to like you said the tariff hike which largely flew it to the ARPU this quarter, you also had like strong customer additions in the December and the March quarter, and then any negative or positive impact on the wireless business if you can call out because of COVID-19 and the lockdown last 10 to 15 days how did that change the recharge pack and especially at mid to lower end of your customer base? Second, you again talked about your customers not seeing any downtrading as such because of the tariff hike in December and you said in the short-term you expect ARPUs to be closer to Rs.200. What in your view will drive the ARPU from Rs.154 that you have quoted to that Rs.200, what needs to happen for that ARPU to move up from Rs.154 to Rs.200? Thank you.

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

Thank you Manish. I think, like I said, we saw in March quarter a significant impact on account of tariff hike. We saw a strong growth in our 4G net adds with 12.5 million and like I said if COVID-19 had not impacted our business in the last two weeks of March, this 12.5 would have been even better and the overall net additions for the company would have been even stronger and remember our definition of revenue earning customer is a revenue in the last 30 days. So, it is a very stringent definition and so when you do not have the capacity to recharge for 15 days, then that obviously has a direct impact on revenue earning customers. On COVID-19, I have already answered the implication, if your question was more with mobile, Manish, we have seen postpaid by and large intact. We have seen a 4G customer base by and large resilient. We have seen some impact on the bottom end, people, who will recharge once in 45 days or 50 days, recharge of Rs.40, Rs.50, some of these customers have had serious impact which is why we give away free services to large numbers of customers, as a benefit and if it is especially migrants we have seen some impact that equally. We have seen some positive surprise on the broadband side, on the B2B side, so it has been kind of a mixed bag. I want to underscore that every week is actually getting better because the jolt that we saw from March 15, 2020 have started getting better as customers has found new ways to actually recharge. We have also done a lot of work on our digital side to drive the digital adoption, to drive education, and to add to alternate channels so all of that has actually begun to pay off. I think in ARPU perspective while there will be some growth in the ARPU on secular basis because of the upgradation from 2G to 4G. I think I have always maintained that our tariffs are still unsustainably low. The industry is very keen to have TRAI intervene in pulling together set floor prices. I think all the responses have gone to TRAI and right now they have not taken a decision given the circumstances around COVID-19, but I do believe that this needs to get corrected sooner, rather than later.

Manish Adukia - Goldman Sachs

Is the lockdown added to any churn impact of revenue?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

Definitely it is added to churn, Manish. Our definition of a revenue earning customer is a customer who earns pays us something in the rolling last 30 days. So, if a customer is in for 15 days, a large sets of customers who have not recharged then that will obviously show as a churn. So our churn of 2.6% in a way is overstate because of COVID-19.

Manish Adukia - Goldman Sachs

Understood. That is very helpful. Just one last question from me would you be able to call out your ARPU as of end of March or exit March, would it be materially different than the Rs.154 that you reported? Can you give us a number as to what your exit number might be as of March?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

We do not give that number, but I would say it is in the ballpark.

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Manish Adukia - Goldman Sachs

Thank you so much and all the best.

Komal Sharan- Moderator

Thank you Manish. Thank you Gopal. The next question comes from Kunal Vora BNP Paribas Securities. Kunal, you may please ask your question now.

Kunal Vora - BNP Paribas

Congrats for a great quarter. Thank you for the opportunity. My first question is on fixed broadband. I just wanted to get your sense on how do you see this opportunity as more people work-from-home, study-from-home and you also entered 18 new cities over the last year, but the subscriber additions are still like mid single digits. Do you see it both of which can scale up to a much higher level? How is the fixed broadband CapEx from home trending? That is question number one. I will come to the next once you have answered.

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

Let me take the first part of the question and maybe I can handover to Badal for the second part of it. We are excited about the home broadband opportunity. I think India is an underserved market and there is a very big opportunity to expand broadband on a structural basis. Having said that, I think what we have seen in the recent few weeks is a massive surge in latent demand and home broadband. We have relative to the businesses, we added in Q4 almost 60000-65000 net additions, which is one of the highest numbers that we have seen in many quarters and even during the lockdown there has been a lot of demand for actually getting home broadband going. So we have an innovative model which I talked about it I think about eight to nine months ago that we were experimenting with working with local cable operators to provide the last mile and using a digital model to access more cities and expand the scale of our broadband business. I think that has been already rolled out into 13 cities now and it has seen some very good traction. So we believe that there are good opportunities for broadband internal expansion. The first is in the top 10 cities, I think we need to expand a lot more and there will be some step up in capex directed, actually expanding our broadband in these large cities. The second part is that beyond the 10 cities or beyond the 50 cities as we get into smaller cities, for example, we have gone into Jammu, we have gone into Dehradun, we have gone to Bareilly, we have gone to Nasik. These are cities that we are not hitherto gone to but the reason we have gone to these that we have partnered with local cable operators and we have created Uber like model, which is entirely digital and the last mile provided by these cable operators, to give them a share of revenue and this is actually working quite well. We are unleashing entrepreneurial energy of these cable operators, in managing the last mile for us and at the same time we have the Airtel brand, the Airtel customer support, the Airtel Billing systems, the Airtel Technology and of course the purchase of routers and all of the other backend equipment coupled with the fact that we have fiber availability at the towers for which the backhaul is available. So I think we are using the best of both worlds to actually partner and expand. I would request Badal to just touch on what the capex numbers are in broadband?

Badal Bagri - Chief Financial Officer – India & South Asia- Bharti Airtel Limited

We rolled out to over 250000 home parcels in the last quarter. Our total capex for the last quarter was 97 Crores. We have a strong pipeline of rollout as Gopal alluded where we have already identified where we want to expand and this will be in area where we will continue to invest going forward as well.

Kunal Vora - BNP Paribas

Just in terms of capex, like this number used to be 8000-10000 per household, so is that number coming down. My question is really about affordability. Are you going to hit affordability sector ratio?

Badal Bagri - Chief Financial Officer – India & South Asia- Bharti Airtel Limited

Yes Kunal. That has been one of the key drivers. Let me say war on waste. Our war on waste is just not about operating expenses. It is about efficiency and capital expenditure. Home pass rollout while it depends on which place and which city you are rolling out, our cost of rollout of home passes are substantially reduced over the last two and a half, three years or so and hence we feel that the cost structures which we operate in I think it is fairly affordable and we can go out aggressively in rollout of home broadband.

Kunal Vora - BNP Paribas

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That is very helpful. Second and last question just wanted to get a sense on the incremental margins. So this quarter you had incremental margin of about 60% on your incremental revenues, is that a fair number to look at going forward or should that number be much higher and maybe this quarter you had an impact of higher network cost and incrementally we should be assuming next year 70%, 75%?

Badal Bagri - Chief Financial Officer – India & South Asia- Bharti Airtel Limited

Kunal, you are talking about the overall business?

Kunal Vora - BNP Paribas

Overall business, India mobile business?

Badal Bagri - Chief Financial Officer – India & South Asia- Bharti Airtel Limited

India mobile business we have a kind of 60% flow through. This has investments coming in from rollouts which we have had, very strong rollouts in the last few quarters or so, but I think a range of 60% to 65% approximately is a good number to work with.

Kunal Vora - BNP Paribas

That is it from my side. Thank you very much.

Komal Sharan - Moderator

Thank you Kunal. Thank you Badal. The next question comes from Mr. Vivekanand Subbaraman of Ambit Capital. Vivekanand, you may please ask your question now.

Vivekanand Subbaraman - Ambit Capital

Thank you for the opportunity. The B2B capex is substantially higher this year, were there any meaningful fiber or undersea cable acquisitions and can you outline your comments similar to what you outline on home broadband side?

Badal Bagri - Chief Financial Officer – India & South Asia- Bharti Airtel Limited

Vivekanand you are looking at the current quarter rollout and if that is the question, then as Gopal alluded we spent significant amount ahead of time in terms of our core and transport network. Our core and transport network has been used by the B2B businesses and mobile business and that capex is now appearing in both mobile segment and the B2B segment. So the reason we see a surge in the current quarter capex numbers.

Vivekanand Subbaraman - Ambit Capital

So the capex gets eliminated, is it?

Badal Bagri - Chief Financial Officer – India & South Asia- Bharti Airtel Limited

No, it does not get eliminated, it gets reported on two different segments basis the usage of those relevant segment. The capacity which we generate is being used by multiple segments, primarily mobiles and B2B segments. Depending on what the usage percentages, we allocate capital expenditure for assets which are used by these relevant segments which is reported under those segments itself.

Vivekanand Subbaraman - Ambit Capital

Second question and the last question is on the ARPU. So what would be the differential between the prepaid and postpaid ARPU for our customer base and secondly the 4G versus non-4G user base, what is the ARPU differential and any thoughts on, Gopal I

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know in your opening comments you mentioned that postpaid you see an opportunity to monetize more. So any thoughts on where that can go in respect to your prepaid ARPU? Thanks.

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

Well, we have a very few recharge plans now, so you can do the math yourself. For feature phones people who are not on bundles our plans are Rs.49 and a plan at about Rs.69. So for a feature phone customer who does not need much of data and who does not have the capacity to pay for a bundle of Rs.150 which is what it calls unlimited calling, the ARPU is in kind of Rs.50 kind of ballpark. 4G most of these customers use a lot of data. Our entry price point is at Rs.219. So the ARPUs are clearly ahead of Rs.200 there. Then of course there is postpaid where the entry price plan is at Rs.399 and we have got plans at Rs.499 and above. So you can see that clearly postpaid is substantially higher than prepaid. One of the reasons I believe postpaid is a large opportunity. If you look the markets for example, like Philippines our postpaid is almost 55% to 60% of the industry there or if you look at a market like Brazil, again about 60%-65% of the industry is postpaid. There is no reason why India's postpaid is still really small relatively speaking with these countries. The only reason I can think of is that there has been a very high arbitrage in pricing between prepaid and postpaid. Before prepaid pricing crashed and by the way postpaid pricing also did crash, but it crashed lesser than prepaid, before prepaid pricing crashed, postpaid was actually growing quite nicely, but it was the compression in prepaid pricing that led to overall slowdown in postpaid and I think that is beginning to turn in the last six months with prepaid pricing having gone up.

Vivekanand Subbaraman - Ambit Capital

Just one small followup there does the international roaming and other revenue related to travel have a meaningful contribution to postpaid?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

Postpaid, reasonable contribution.

Vivekanand Subbaraman - Ambit Capital

Thank you.

Komal Sharan- Moderator

Thank you, Vivekanand. The next question comes from Mr. Rajiv Sharma of SBICAP. Rajiv, you may ask your question now.

Rajiv Sharma - SBICAP Securities Limited

Thank you for the opportunity. I am glad Gopal that you talked about the digital platform and the 1200 employees but it seems that it is more about efficiencies as in cost savings, but wanted to know what are your plans about monetizing the digital platform and also you know a couple of quarters back you talked about this whole Kirana PoS thing, but just wanted to know your updated thoughts there and will you be given that COVID the valuations of all the start-ups have significantly come down, will you be as a philosophy open to looking at some of these start-ups to change your digital narrative and add additional revenue streams?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

I obviously did not do a very good job in talking about what we are trying to do with our digital platforms because I would coming back to what I think are the three objectives behind the digital business a) Is it helping us getting more customers, b) Is it helping us get greater lifetime value and retain our customers for longer and c) Is to your point does that drive out waste and actually create a greater efficiencies? I think we are looking at all of the three things and one of the things at least I have learnt in the last few years if digital has to get to the heart of the business and really support the core business while also building out new streams of revenue. The way we see our assets Rajiv is that we see that four assets that I talked about, data payments with traditional network. The data the fact that we have such a wide repository of data, payments, the fact that we can actually collect money from the customer, whether it is through Airtel Thanks or the Mitra app which is available in million retailers, distribution which has access to 280 billion customers, 16 million homes, 2000 corporate and over half a million to a million small and medium enterprises and network, which is really the core of our business which provides location-based services. So, if I look at for example, some of the things that we have started doing a lot off, we have built on this platform a strong set of digital assets. We are almost 150 million monthly active users which is one of the very large digital platforms in India on our digital assets of Airtel Thanks, Wynk and X Stream. From here on, I think there are two, three things. If you take the underlying assets; one is you have to keep scaling the digital assets and then we could look at, we are already beginning to look at, revenue streams coming out of top ups in advertising as we call it. For example, we are one of the large sellers of life insurance policies for both Bharti AXA as well as HDFC. We are partnering on the cyber

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security side with a whole range of companies on B2B and actually creating a cyber security practice both on products as well as through a security operation center in Manesar. The CISCO we are partnering to actually create routing solutions which can be bundling in with our B2B business. So, when you start looking at some of these things, we believe that we could actually create them in the not so distant future. I am really talking about the next 12 months we can have meaningful revenue stream using these assets. And our model is quite simple. Our model is that we are not in the education business. We are not in the content business, but what we are in the business of really understanding customers deeply and using those four strengths to partner with many many companies in order to create revenue streams. We could actually help lenders lend to our customer base. By the way, there are pilots that we are already working on. So these are the kinds of strengths that we could actually bring, which is where we create those alternate revenue streams. So, if you ask me the question, are we in the education business? The answer is no. But would we partner with people to provide education services using our platform and actually make a margin of it, absolutely that, is what we look at so, if that kind of strategy that we are driving. Only way to do this is to have scale on your digital assets, scale on your platform and the agility and capability to use all your digital talents to be able to partner very soon. One of the acronyms we have in our business is called TEAM. A TEAM is four letters TEAM and from our perspective what it stands for is T is for Transparent Commercials. That is the thing that the partner values most. E is for Easy Integration on to your Platform, everything is through APIs. They are robust and standard APIs which we built over the last few years. A is for Accelerating the Adoption of the Digital Service. If a partner partners with us what they are looking for is scale and if they are going to sell three life insurance policies for HDFC no other top companies will partner with us. So, how do you accelerate adoption which is why your data strength comes in. M is for Mutual Growth. So TEAM is a digital stack that is actually based on top of these assets of ours in order to create meaningful revenues. The reason we have not talked too much about it is because it is still, we have been in the process of building this out and it is only now that we use this for our own business and begin to pilot this with many, many companies around the world and if we can get this really going in a seamless way then I think your question of what kind of revenue streams can come through will get answered quite easily.

Rajiv Sharma - SBICAP Securities Limited

Thanks Gopal. Just one final question if I can chip in. The recent Jio Facebook deal and lot of other tech investors coming into Jio seems like Jio is being positioned as a tech platform. When you talk about your digital initiatives it seems like you are a telco with partnerships. Do you think Bharti also wants to transition as a tech platform going forward?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

No. Our strategy is as I have articulated is what it is. Obviously technology is in the heart of this. So, we leverage the power of technology. We got a very large pool of digital talent, which we have hired from the best companies. They are working for us across products, engineering and data science. Really, technology is what will make this available. So, if you ask me are we are tech company? Yes. Are we are telco? Yes. Are we trying to marry the telco along with the technology that can actually solve problems for customers, solve problems for partners and create value for the ecosystem? That is why we are trying to do.

Rajiv Sharma - SBICAP Securities Limited

That is very helpful. Thank you so much.

Komal Sharan – Moderator

Thank you Rajiv. Thank you Gopal. The next question comes from Mr. Joe Howes from Hermes Capital. Joe you may please ask your question now.

Joe Howes – Hermes Capital

Thank you. I was just wondering if you guys could give a quick update of where you are in the AGR. Sorry, if I have missed this somewhere. How much is still outstanding to be paid?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

Badal, I think the question is on AGR. I suspect the question is around what is the exposure, what have we provided for?

Badal Bagri - Chief Financial Officer – India & South Asia- Bharti Airtel Limited

Joe if you recall, DoT had agreed for us to do a self-assessment of our liabilities and we had conducted that exhaustive exercise that scaled for three to four months and basis that we had made payments to DoT of approximately Rs 13000 Crores in the month of February and additional Rs 5000 Crores as an ad-hoc in deposit advance amount lying to DoT depending on what is the

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reconciliation and reassessment will come out, we did not want that to be on the negative side. We gave that so that if there was any difference, that could have been adjusted. Subsequently, the case was heard in Supreme Court, and the Supreme Court has currently stated that no reassessment or self-assessment will be allowed. The next hearing was supposed to have been in early April, which has not yet happened where apart from this they were also to consider the DoT's proposal of extended payment terms over 20 years with 8% interest will also get heard. As of now, the matter is subjudice. There is no update per se versus what we have already done so. We have done our self-assessment and we had made a provision in the financials, we are still holding that. There is no change to that. We hope and we will wait for the judgment and we await the Supreme Court the final verdict to come out to kind of determine the next steps from our side.

Joe Howes – Hermes Capital

Next question is about your dividend policy for the coming year, has this changed due to COVID events or do you still play with the previously stated policy?

Harjeet Kohli - Group Director, Strategy & Business Development

Joe, historically there has not been a stated policy of thoughts but a philosophy the group has followed and at Airtel level the philosophy was that while the leverage continues to be anywhere beyond comfortable levels, whatever dividends that come through from our subsidiary companies because of their cash flow accretions will try and pass through. So, at least for now that continues even if it is a smaller percentage to the overall stock price and it is little too early on conjecturing how the COVID-19 evolution happens but I do think that the towercos will continue to be cash generative and probably cash whether it is as much as little or even more depends on the overall telecom tenancy outlook, but that will be cash positive and there will be dividend flows. So to that extent the general expectation unless COVID-19 creates any negative surprises more than what we anticipate this should be able to follow through.

Nakul Sehgal - Corporate Chief Financial Officer, Bharti Airtel Limited

I can additionally add that the Board of Directors have actually recommended a dividend for the financial year of 2019-2020 of Rs.2 per equity share which is subject to shareholders approval.

Joe Howes – Hermes Capital

Thank you.

Komal- Moderator

Thank you Joe. Thank you Nakul. The next question comes from Mr. Susmit Patodia of Motilal Oswal, You may please ask your question now.

Susmit Patodia - Motilal Oswal

Thanks for the opportunity. Just wanted to understand the incremental EBITDA margin, the historical trend has been a little more than 65%, in fact 65% has been the lower range and your guidance was 62% to 65%. Are you being conservative or has something changed, if you could help me with that please?

Badal Bagri - Chief Financial Officer – India & South Asia- Bharti Airtel Limited

I think 65% is reasonable range which we work for, it can sway anywhere between 60% and 70%. It also depends on various other factors in terms of when we are investing in, how much is investment is going in, for example last quarter we had invested close to 4500 towers, so there is a significant network investment comes in. The incremental EBITDA margin does get impacted in the short run. It also depends on other lines of expenses for example S&D, we have a very, very healthy 4G net add and we added close to 12.5 mn customers so there was incremental expenditure on the that. So it is a combination of various factors which kind of flew in but I would say a reading of 65 percent is a reasonable to work for, it could range anywhere 60% to 70% depending on what kind of investments are going through in that particular quarter or the previous one or two points.

Susmit Patodia - Motilal Oswal

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Just the second question was you know Mr. Gopal alluded towards the first few days being quite tough at the feature phone segment I wanted to know if the bad debts or collections could go down and bad debts go up in this cycle are we seeing increased risk or it's manageable.

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

I can take that. I think there has been some challenges in small and medium enterprises on a commercial segment in home broadband equally there has been you know robust I mean there has been resilience in the postpaid side so I would say it is marginally challenged collections because more seriously challenged in April. We were able to collect substantially better in the month of May, so I would say we will wait and see but it is not going to be very material is I would look at it.

Susmit Patodia - Motilal Oswal

Thank you. Best of luck.

Komal Sharan - Moderator

Thank you. The next question from Mr. Tarang Agarwal of Old Bridge. Tarang, you may please ask your question now.

Tarang Agarwal – Old Bridge Capital

I was startling to see the mobile business performance this quarter so heartiest congratulations. I have two questions; the first is on Airtel Mobile India business. Mr. Vittal how do you think you can make the platform or say price inelastic from a customer's perspective. I mean strategically how do you see this Airtel platform say four years from now such that it becomes a necessity enough for customers to stick to it for reasons in addition to basic telephony and data? That is one. Second question is on Airtel Africa. What is the medium term strategy for this business and what will be the drivers from here on?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

Nakul, maybe you can take the second part, between Nakul and Harjeet whoever and I will take the first half after that.

Nakul Sehgal - Corporate Chief Financial Officer, Bharti Airtel Limited

Thanks for the question Tarang. I think our strategy as far as Africa is concerned, continues to stay what we have actually said in the past. Our objective is to grow consistently profitable business as far as revenue growth is concerned, we wanted it to be coming from the different aspects whether it is voice, data or Mobile Money. We also want to grow it profitably so the objective is to have EBITDA growth as well in that business to ensure that the leverage that we have in the business is constantly in the range of the 2 to 2.5 and if you see the leverage that we have on the Africa business is actually on the levels of about 2.1, which is quite healthy. We also want that business to generate a decent amount of cash flows, but at the same time there are headwinds into the business with respect to currency devaluation that you see in some of our markets which obviously is a risk that we continue to live with. So as far as the strategy is concerned, it is quite consistent from what we have reiterated in the past and we just continue to want to deliver on it. Obviously the results are quite good, it is about 17.9% growth in constant currency year-on-year is a decent growth in EBITDA margins which stand at about 44.1% and also an increase in the free cash flows. So that is how we see the Africa business.

Harjeet Kohli - Group Director, Strategy & Business Development

Just to compliment, he might also meant, Nakul on how Airtel India on Airtel Africa in terms of holding strategy. So Tarang, you know Airtel India holds 56% into Airtel Africa now after the IPO and that continues to be the control block and from our perspective, I think that is holding which is strategic. It historically is a bountiful path from the acquisition times of 2010 and substantial amount of investment plus bandwidth has gone there. At this stage, even the market prices are not necessarily reflecting the true value, so you should expect Airtel to continue to drive the focus as Nakul was elaborating on for Airtel Africa and our holding strategy to continue to be the same. I think overtime they are increasingly getting more independent for sure and that actually is a very positive benefit of the UK listing process that has happened. Management teams they are increasingly more independent. Banks are similar, some of the sourcing strategies are synergized but otherwise the execution strategies are very global independently managed. So overtime as it evolves if you take probably provides further updates, but at this stage that is a strategic holding asset.

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

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Tarang to your first question. Let me kind of give you a little bit of insight around what we have seen over the last couple of years. Today we have a fledgling business which we invested in, which is our Payments Bank. We have over 14 active customers who provide us revenue and most of these customers are also Airtel customers. What we see is a significant reduction in churn when a customer of Airtel whose mobile number is also the bank account number and using the bank to actually do other transactions we see a very significant amount of churn. In much the same way we have developed a platform which is called the One-Airtel platform. This is essentially a tech player which has been built in-house, in the normal course of thing, let me just cut back, in the normal course of things when you are trying to converge all your businesses from broadband to mobility to television into one billing layout, this process for most telcos typically takes between three and five years. It is a very painful transformation and it takes time for it to stabilize. Our teams have developed this in six to eight months internally through APIs. So all our existing billing systems, expose APIs to this in layer on top and what we have developed is that through this platform we are able to bundle broadband, mobility and DTH into one seamless platform. We piloted this in the last six months. We rolled it out last quarter, we have taken it to 11 cities and we have got to scale this up this year. Why are we doing this? The moment we bundle these services together again what we see is a significant reduction in churn and we see a much higher increase in ARPU for the consolidated account which is really a measure of lifetime value. So, if you take those insights the real question is through building a strong platform and building a whole string of partnerships what you can now see is actually greater stickiness, greater lock in of customers, lower churn for the telco, higher ARPU which is through new streams of revenue and therefore consequently greater value and remember these partnerships come at a very, very low capex. They are really technology resource, ready to resource, it is people cost more than anything else and once you got your digital assets of scale then to be able to actually convert customers to get on to one or another service is much easier provided you understand who to offer what tool and this is where the data platform comes in which allows us to actually recommend the right thing for a customer based on a lot of algorithms and lot of data science which goes behind it. So that is really what the real value of this is.

Tarang Agarwal – Old Bridge Capital

If I could just muddle a last question, so all these partnership with the insurance companies or with the OTT players, whatever revenue that Airtel generates on account of allowing them to leverage our distribution network, these revenues are then reported in the mobile business or B2B business?

Badal Bagri - Chief Financial Officer – India & South Asia- Bharti Airtel Limited

Tarang these are as of now it is very, very miniscule and we are not reporting the mobile business. Mobile business is pure customer revenue which we get from customer. Generally from these angles of business we get commissions in form, depending on what kind of partnership and what nature is. It is only the commission which is going to be included depending on where we sit, whether it is going to sit on mobile B2B or it is going forward it could be in the Airtel Digital Company itself.

Tarang Agarwal – Old Bridge Capital

Thank you.

Komal Sharan – Moderator

Thank you. In the interest of time, we will be only taking one last question. The last question comes from Sanjesh Jain of ICICI Securities. Sanjay you may please unmute and ask your question now.

Sanjesh Jain – ICICI Securities

Thanks. Good afternoon. Question on the capex side particularly for the mobile business. Gopal, can you explain what cycle of the capex we are from the coverage perspective, from the capacity perspective on the network side, core and transmission and when are we going to see a more moderate level of capex for the company? Will it take another two or three years and what will be the path for that?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

I think Sanjesh and I mentioned in the earlier calls, if you look at most of the top player telcos you will find that investments in core and transport are taking up a disproportionate amount of the capex when compared to just access. There is more that we need to do to expand our networks, put up more sites and expand our coverage particularly in rural areas, many of our challenger market. Now that is something that we need to do. Second, we invested substantially in our transport infrastructure particularly in electronics and that is why we saw the big jump in capex in Q4, which as I said proved to be prescient given what happened in COVID where we saw almost a 25% to 30% surge in consumption. We are refarming almost all of our spectrum, so all our 3G spectrum is moving to 4G. That gives us more capacities at very marginal levels of capex, so that is another driver that goes in. Then of course as if the data allows and India continued to be as significant as they are you are seeing some constraints in congestion and capacity in some

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of the key cities and you need some more sites, you need more capacity. So that is really what we are trying to do. Second component of capex is on the broadband side where we are expanding home broadband and the third part of the capex is around B2B side which is again largely in the transport side where Badal as he mentioned we put it in one place than kind of allocated across the board. B2B has been another driver of our overall transport. Finally, there is fiber which is real access to trenching and beginning and getting out and connecting more and more base stations and with the growth of more and more data as we move towards 5G we do need to connect more and more towers on fiber albeit microwave capacities are good, the technologies are moving very rapidly and we are able to get 1 GBPS speeds and some of the new technologies that are coming in through, so I think those are some of the drivers of capex. I would say capex is a dynamic situation. As of now, our guidance would be that we believe that capex could be moderated this year, which is the coming year compared to what it was last year. Having said that, we are going to watch this space because at the end of the day, you have to look at where the growth is coming from, how much we can grow and where the consumption is going, so that we continue to deliver a brilliant experience, but our sense is our guidance could be that capex for the coming year would be lower than what we saw in the years that we just concluded.

Sanjesh Jain – ICICI Securities

Thanks Gopal. Just one followup how do you see your spectrum holding post refarming the 900 megahertz and 2100 megahertz from 4G capacity perspective. Do you feel that you are comfortably positioned on the spectrum given the kind of data allowances we have and upside in terms of the transition which is happening from 2G to 4G or do you see a need for more spectrum for the 4G services probably in the next two to three years timeframe or you are comfortable in terms of 4G spectrum holding which you have today?

Gopal Vittal - Managing Director & Chief Executive Officer, India & South Asia - Bharti Airtel Limited

I think by and large we are comfortable with our spectrum holdings. We still have a lot of headroom to continue to use our spectrum. As you notice we refarmed about 25 megahertz of 3G spectrum and there is still more to be refarmed in the coming quarter. Having said that we have also made it clear that we would love to have a sub-gigahertz footprint across the country this is one gap that we have in our portfolio particularly in a challenger markets in the west and markets like Kerala, UP West and Haryana. These are the places where sub-gigahertz spectrum will give us much greater propagation, deep indoor and particularly in Rural areas, you will need fewer sites to actually go out and cover larger geographies and expand the access of the Airtel network. But beyond that I would say our 4G spectrum holdings are pretty solid actually.

Sanjesh Jain – ICICI Securities

Thanks Gopal. That is it from my side. Best of luck.

Komal Sharan – Moderator

I think with this we come to the end of this webinar. Thank you everyone for joining us today. Recording of this webinar will also be available on our website for your reference. Thank you once again for joining us.